

# Green Bond Report

December 2023



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# 01

## Introduction

The global pursuit of commitments in achieving Net Zero Emissions (NZE) and Sustainable Development Goals (SDGs) relies significantly on the financial sector's involvement. As Indonesia's largest bank and corporate lender, PT Bank Mandiri (Persero) Tbk. ("Bank Mandiri") acknowledges its pivotal role in trailblazing sustainable finance and generating positive environmental and social impacts.

Bank Mandiri has devised a transformative business plan with the vision of becoming the "Sustainability Champion for a Better Future" by implementing its Sustainable Finance Action Plan or Rencana Aksi Keuangan Berkelanjutan ("RAKB"). This vision is manifested through three core commitments: "Lead Indonesia's Transition to Low Carbon Economy," "Net Zero Emission (NZE) in Operations by 2030", and "Catalyzing Multiple Growth for Social Impact to Achieve SDGs."

To address upcoming challenges and uncertainties, Bank Mandiri is proactively responding with a continual acceleration of innovations in products and services, reaffirming its commitment to prioritizing Environmental, Social, and Governance (ESG) principles through digital transformation. This comprehensive transformation encompasses policies, strategies, and day-to-day operations, advocating for environmental conservation by broadening financial services to previously marginalized social, geographical, and economically underserved segments and various carbon neutral initiatives. Moreover, Bank Mandiri pledges to enhance access to banking and financial services for underserved populations, facilitating socioeconomic advancement and empowerment for unbanked or non-bankable communities and individuals through digitalization. All these initiatives are also reinforced by Bank Mandiri's internal capabilities development and the integration of a green business mindset as a fundamental corporate value.

As a follow-through on its RAKB and sustainability commitments, Bank Mandiri successfully launched its inaugural domestic Green Bond, Bank Mandiri Phase I Green Bonds I year 2023, in July 2023. This issuance is integral to the Sustainable Banking pillar's implementation to develop sustainable portfolios, products, and services. Through this initiative, Bank Mandiri underscores its dedication to supporting the government's initiatives for a sustainable economy, actively participating in the Financial Services Authority's (Otoritas Jasa Keuangan) sustainable finance roadmap, and actively striving towards achieving the 17 Sustainable Development Goals (SDGs).

# Summary of Bank Mandiri's Green Bond Framework & Issuance Details

## Green Bond Framework

The issuance of Bank Mandiri's Domestic Green Bond is carried out in accordance with the Financial Services Authority Regulation No.60/POJK/04/2017 regarding the Issuance and Requirements of Environmentally Friendly Debt Securities (Green Bonds) ("POJK 60") and engaged SDGs Hub Universitas Indonesia to provide a Second Party Opinion (SPO). Below is the summary of the framework:

### Use of Proceeds

Bank Mandiri will ensure a minimum 70% of the proceeds for financing or refinancing Environmentally Friendly Public Activities or Kegiatan Usaha Berwawasan Lingkungan (KUBL).

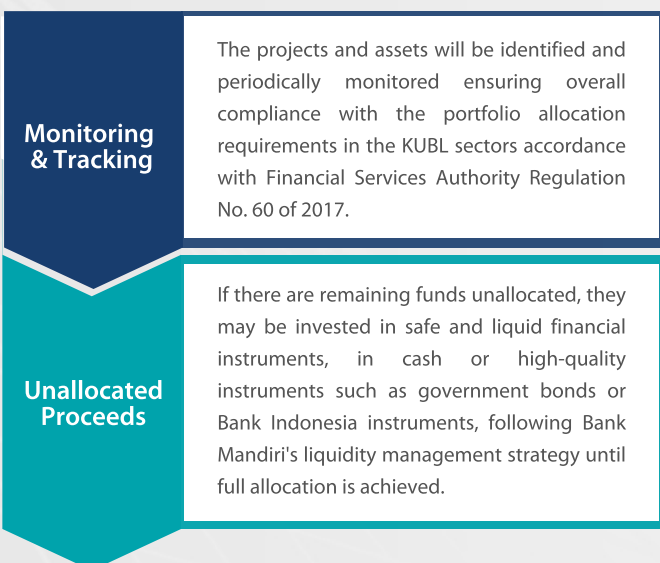
#### Environmentally Friendly Public Activities (KUBL) Sectors

- Renewable energy
- Energy efficiency
- Pollution Prevention & Wastewater Control
- Environmentally Sustainable Management Adaptation of Living
- Terrestrial and Aquatic products Biodiversity
- Clean transportation
- Sustainable Water and Wastewater Management
- Climate Change Adaptation
- Eco-efficient adapted products
- Green Building

### Project Evaluation and Selection



### Management of Proceeds



### Reporting

Bank Mandiri is obligated to submit periodic review reports conducted by Environmental Experts once a year and whenever there is a material change in KUBL. The review report is attached to the Company's Annual Report submitted to the Financial Services Authority.

#### Allocation Reporting

This allocation reports will provide the following detail:

- Brief descriptions of projects funded from the Green Bond issuance;
- The amount of funds obtained from Green Bond allocated to each project.

#### Impact Reporting

Bank Mandiri will report the positive impact resulting from the implementation of KUBL projects. The calculation of environmental impact can be measured using practical indicators.

## The Issuance

On July 4, 2023, Bank Mandiri issued Bank Mandiri Phase I Green Bonds 1 year 2023, marked as the inaugural green-form issuance on the domestic bond market with an issuance value of Rp5 trillion and oversubscribed by 3.7 times.

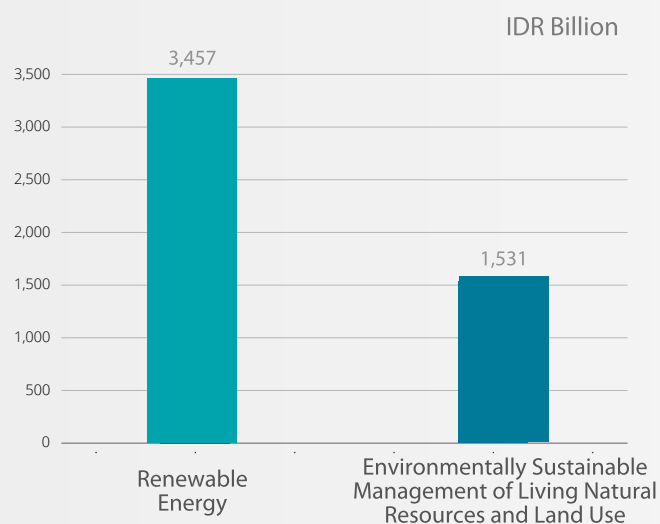
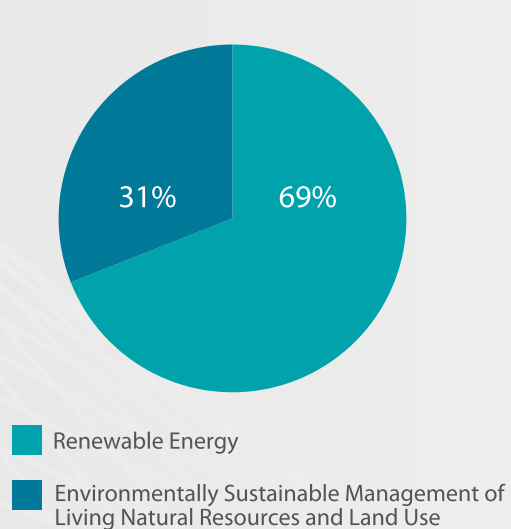
| Deal Summary              |   |
|---------------------------|---|
| Plafond Size              | Rp10 Trillion   |
| First Phase Issuance Size | Rp5 Trillion  |
| Tenor and Size            | Seri A: 3 years – Rp1.95 trillion<br>Seri B: 5 years – Rp3.05 trillion  |
| Coupon                    | Seri A: 3 years – 5.80% p.a.<br>Seri B: 5 years – 6.10% p.a.  |
| Coupon Payment            | Quarterly 30/360  |
| Rating                    | idAAA from Pefindo  |
| Listing                   | Indonesia Stock Exchange (IDX)  |
| Use of Proceeds           | To finance or refinance, in whole or in part, eligibility green bond projects in accordance with certain prescribed eligibility criteria as described in POJK No.60/2017, with minimum 70% allocation |
| Final Orderbook           | Rp18.70 trillion  |

# 03 Allocation Report

As of October 2023, Bank Mandiri has fully allocated the proceeds of Bank Mandiri Phase I Green Bonds I year 2023. The allocation details are as follows:






| Eligible Category   | Financed/Refinanced | Amount Allocated*<br>(in IDR billion) | Allocation of Proceeds |
|---|---------------------|---------------------------------------|------------------------|
| Renewable Energy  | Refinanced          | 3,457                                 | 69%                    |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | Refinanced          | 1,531                                 | 31%                    |
| <b>Total</b>  |                     | <b>4,988</b>                          | <b>100%</b>            |

\*Clean amount excludes issuance fees (e.g. underwriter fee, legal counsel fee, etc)



# 04 Impact Report

The estimated environmental and social impact for Eligible Categories according to the Green Bond Framework are shown in the tables below:

| Eligible Categories   | Alignment to SDGs   | % of Asset Allocation | Type of Projects         | Brief Description & Impact Indicators <sup>1</sup>   |
|---|---|-----------------------|--------------------------|--|
| Renewable Energy  | <br>   | 69%                   | Hydro Power Plant        | <p>Estimated environmental impact produced:</p> <ul style="list-style-type: none"> <li>Renewable energy produced per year: <b>533,038 MWh</b></li> <li>The minimum avoided Green House Gas (GHG) emissions per year: <b>58,364 tCO<sub>2</sub>e</b></li> </ul>   |
| Environmentally Sustainable Management of Living Natural Resources and Land Use | <br><br> | 31%                   | Certified Palm Oil & CPO | <p>Bank Mandiri has provided financing to certified palm oil and CPO (Crude Palm Oil) industries that embrace global best practices in implementing sustainability within their operations. This is evident through their certification with ISPO (Indonesian Sustainable Palm Oil) and RSPO (Roundtable on Sustainable Palm Oil).</p> |

<sup>1</sup> For details on assumptions to calculate impact indicators, see Appendix I

## 05

# Conclusion

Bank Mandiri realizes the importance of integrating sustainability values into the Bank's vision and mission. Bank Mandiri aspires to contribute to sustainable economic growth to achieve the 17 Sustainable Development Goals by implementing Environmental, Social, and Governance values in business activities.

As one of the first movers in sustainable finance in Indonesia, Bank Mandiri continues to develop and promote sustainable finance practices, including efforts to help achieve a low-carbon economy. This commitment is shown through Bank Mandiri's support for clients, especially those who engaged in carbon-intensive sectors, by providing financial solutions that encourage clients to decarbonize and transform their operations into a more responsible, environmentally positive business, with less carbon footprints. One of them is through a Sustainability-Linked Loan & Transition Financing.

As part of our commitment to contribute more to sustainable economic growth and to provide the accountability of Green Bonds issued, Bank Mandiri will continuously improve the tracking and monitoring mechanisms to ensure the use of proceeds' transparency and the annual report's credibility. Lastly, to assure the credibility of its Green Bond Report, Bank Mandiri appointed SDGs Hub Universitas Indonesia to provide an independent external review.



# Appendix I

## Impact Reporting Key Assumptions

The reported results are based on the assumptions from publicly available sources. Key assumptions for impact calculation are indicated in the table below.

| Eligible Categories  | Type of Projects         | Data Assumption  |
|--|--------------------------|--|
| <b>Renewable Energy</b>  | Hydro Power Plant        | The calculation for minimum GHG emission avoided is using the assumption from publicly available source below: <ul style="list-style-type: none"> <li>• CO<sub>2</sub> emission factor of Sumatera Selatan interconnection system:<br/><b>0.95 tCO<sub>2</sub>e/MWh</b></li> <li>• CO<sub>2</sub> emission factor for hydro power plant:<br/><b>0.84 tCO<sub>2</sub>e/MWh</b><br/>(Kementerian ESDM. 2019. Faktor Emisi Sistem Ketenagalistrikan)</li> </ul>   |
| <b>Environmentally Sustainable Management of Living Natural Resources and Land Use</b> | Certified Palm Oil & CPO | Financing to certified palm oil and CPO (Crude Palm Oil) industries that embrace global best practices in implementing sustainability within their operations, with the details as follow: <ul style="list-style-type: none"> <li>• Certification: <b>ISPO (Indonesian Sustainable Palm Oil) and RSPO (Roundtable on Sustainable Palm Oil)</b></li> <li>• Total land amount: <b>19 (14 (ISPO) and 5 (RSPO))</b></li> <li>• Total land area: <b>142,805 hectares (78,999 hectares (ISPO) and 63,806 hectares (RSPO))</b></li> </ul> |

## LAPORAN REVIU AHLI LINGKUNGAN

### Review Report by Environmental Expert

SDGs Hub Universitas Indonesia, selaku Ahli Lingkungan yang dipilih untuk melakukan reviu Laporan Obligasi Berwawasan Lingkungan Berkelanjutan Bank Mandiri Tahap I Tahun 2023 ("Green Bond Report") yang disertakan beberapa data pendukung terkait penerbitan Obligasi Berwawasan Lingkungan Berkelanjutan I Bank Mandiri Tahap I Tahun 2023 ("Green Bond Tahap I 2023"). Ahli Lingkungan memiliki kompetensi pengalaman dan berijazah yang relevan dalam kegiatan berwawasan lingkungan (terlampir-Lampiran I).

#### **Tanggung Jawab Manajemen Bank Mandiri**

Tanggung jawab manajemen Bank Mandiri atas penyusunan dan penyajian *Green Bond Tahap I 2023 Report 2023* tersebut sesuai dengan *Green Bond Framework* Bank Mandiri.

#### **Tanggung Jawab Ahli Lingkungan**

Tanggung jawab Ahli Lingkungan adalah untuk melakukan reviu *Green Bond Report* dan beberapa dokumen pendukung lainnya sesuai ketentuan POJK No. 60 Tahun 2017. Reviu yang kami lakukan mencakup kesesuaian implementasi pemilihan proyek Kegiatan Usaha Berwawasan Lingkungan ("KUBL") sebagaimana tertera di dalam *Green Bond Framework* dan pada POJK 60 Tahun 2017. Meski telah terbit POJK No. 18 tahun 2023 pengganti POJK 60 Tahun 2017 tetapi Emiten yang telah melakukan penerbitan Efek Bersifat Utang Berwawasan Lingkungan sebelum POJK 18 Tahun 2023 ini berlaku, tetap mengikuti ketentuan sebagaimana diatur dalam POJK No. 60/POJK.04/2017 tentang Penerbitan dan Persyaratan Efek Bersifat Utang Berwawasan Lingkungan (Green Bond). Penyaluran dana hasil penerbitan *Green Bond Tahap I 2023* ke proyek KUBL terpilih, sesuai *Green Bond Framework*. Dana hasil penerbitan *Green Bond Tahap I 2023* telah dialokasikan 100%, sebagaimana dilaporkan pada *Green Bond Tahap I 2023 Report 2023* dan tidak ada perbedaan terhadap kategori KUBL dalam framework atas proyek yang dibiayai. Ahli Lingkungan melakukan reviu terhadap dampak lingkungan yang tertuang dalam *Green Bond Tahap I 2023 Report 2023* dan menyesuaikan dengan data yang tersedia.

*SDGs Hub Universitas Indonesia, as the Environmental Expert selected to review Bank Mandiri's Sustainable Environmentally Friendly Bonds Report Phase I 2023 ("Green Bond Report") which includes several supporting data related to the issuance of Bank Mandiri Sustainable Environmentally Friendly Bonds I Phase I 2023 ("Green Bond Phase I 2023"). Environmental Experts have relevant experience and certificate competencies in environmentally friendly activities (attached - Attachment I).*

#### **Management Responsibilities**

*Bank Mandiri management is responsible for preparing and presenting the Green Bond Phase I 2023 Report 2023 under Bank Mandiri's Green Bond Framework.*

#### **Responsibilities of Environmental Experts**

*The Environmental Expert's responsibility is to review the Green Bond Report and several other supporting documents in accordance with the provisions of POJK No. 60 of 2017. The review we carried out included the suitability of the implementation of the selection of Environmentally Friendly Business Activities ("KUBL") projects as stated in the Green Bond Framework and in POJK 60 of 2017. Even though POJK No. 18 of 2023 replaces POJK 60 of 2017 but Issuers who have issued Environmentally Friendly Debt Securities before POJK 18 of 2023 comes into force, still follow the provisions as regulated in POJK No. 60/POJK.04/2017 concerning Issuance and Requirements for Environmentally Friendly Debt Securities (Green Bond). Distribution of funds from Phase I Green Bond issuance 2023 to selected KUBL projects, as per Green Bond Frameworks. 100% of the proceeds from the Green Bond Phase I 2023 issuance have been allocated, as reported in the Green Bond Phase I 2023 Report 2023 and there is no difference in the KUBL category in the framework for funded projects. Environmental Experts conducted a review of the environmental impacts contained in the 2023 Green Bond Phase I 2023 Report and adjusted them to the available data.*

## Hasil Reviu

Hasil reviu atas *Green Bond Tahap I 2023 Report 2023* atas penyaluran hasil penerbitan *Green Bond Tahap I 2023* adalah sebagai berikut:

- 1) Pemilihan proyek KUBL dalam penyaluran dana hasil penerbitan *Green Bond Tahap I 2023* telah sesuai dengan *Green Bond Framework*.
- 2) Dana hasil penerbitan *Green Bond Tahap I 2023*, 100% tidak mengalami perubahan dari dana yang telah dialokasikan untuk membiayai dua sektor KUBL yang telah disetujui. Dua proyek tersebut adalah energi terbarukan dan pengelolaan sumber daya alam hayati (halaman 6 dan 7 dalam Laporan Tahunan).
- 3) Proyek energi terbarukan yang berjalan memiliki estimasi dampak positif terhadap lingkungan yang merupakan estimasi dampak paling minimal dari proyek, serta telah sesuai dengan indikator pada KUBL yang telah ditetapkan sebelumnya oleh Bank Mandiri. Indikator tersebut diperoleh melalui perhitungan yang konsisten dan sesuai dengan *best practice* yang ada. Namun perlu diperhatikan kesesuaian waktu perhitungan dengan berjalannya proyek pada tahun pertama (2023) (Lampiran 1, halaman 9 dalam Laporan Tahunan).
- 4) Proyek pengelolaan Sumber Daya Alam Hayati dan Lahan Berkelanjutan sudah memiliki catatan penghitungan dampak di mana sudah ada 14 sertifikasi ISPO dan 5 Sertifikasi RSPO dengan luas lahan 142.805 hektar, hal ini sesuai dengan aspek keberlanjutan dan mengurangi dampak negatif terhadap lingkungan dan masyarakat setempat.

## Review results

*The results of the review of Green Bond Phase I 2023 Report 2023 regarding the distribution of the proceeds from the issuance of Green Bond Phase I 2023 are as follows:*

- 1) *The selection of the KUBL project in distributing funds from the issuance of Green Bond Phase I 2023 is under the Green Bond Framework.*
- 2) *100% of the proceeds from the issuance of Green Bond Phase I 2023 have not changed from the funds that have been allocated to finance the two approved KUBL sectors. The two projects are renewable energy and management of biological natural resources (pages 6 and 7 in the Annual Report).*
- 3) *The ongoing renewable energy project has an estimated positive impact on the environment, which is the minimum estimated impact of the project, and is under the indicators in the KUBL previously determined by Bank Mandiri. These indicators are obtained through consistent calculations and under existing best practices. However, it is necessary to pay attention to the suitability of the calculation time with the project's progress in the first year (2023) (Appendix 1, page 9 in the Annual Report).*
- 4) *The Sustainable Living Natural Resources and Land Management project already has a record of impact calculations where there have been 14 ISPO certifications and 5 RSPO certifications with a land area of 142,805 hectares; this is under the sustainability aspect and reduces negative impacts on the environment and local communities.*

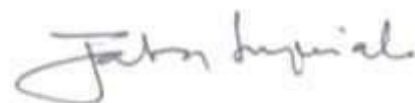
**Jakarta, 22 Januari 2024**

*Jakarta, January 22<sup>nd</sup>, 2024*



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